CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 21, 2006

H.R. 5074
Railroad Retirement Technical Improvement Act of 2006

As ordered reported by the House Committee on Transportation and Infrastructure on April 5, 2006

SUMMARY

The Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107-90) amended the Railroad Retirement Act to require the Railroad Retirement Board (RRB) to use a nongovernmental financial institution to serve as the disbursing agent for railroad retirement payments to retirees and survivors. H.R. 5074 would eliminate that requirement and permit the RRB to continue to use the Department of Treasury as its disbursing agent for those payments.

CBO estimates that using the Treasury rather than a nongovernmental institution would save about $2 million a year. Assuming that appropriations for the RRB's administrative expenses reflect that change, CBO estimates the bill would reduce outlays by $2 million in 2007 and by $9 million over the 2007-2011 period. H.R. 5074 would not affect either direct spending or revenues.

H.R. 5074 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5074 is shown in the following table. The savings from this legislation fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	-2	-2	-2	-2	-2
Estimated Outlays	0	-2	-2	-2	-2	-2

BASIS OF ESTIMATE

The Railroad Retirement and Survivors' Improvement Act of 2001 requires the RRB to use a nongovernmental financial institution as its disbursing agent. However, since 2005, annual appropriation acts have prohibited the RRB from doing so. Consequently, the board currently relies on the Department of Treasury to disburse benefit payments. In the absence of further legislation, the RRB would be required to switch to a nongovernmental institution starting in 2007.

An RRB analysis determined that contracting with a private financial institution would cost $3.0 million in the first year and $2.3 million annually in subsequent years. In comparison, the RRB's reimbursements to the Department of Treasury currently cost about $800,000 per year for the same services.

Based on the RRB's analysis, CBO estimates that using a nongovernmental financial institution as the RRB's disbursing agent would cost $13 million over the 2007-2011 period. The cost to the RRB to maintain its current practice would be $4 million over the same period. Therefore, the bill would reduce the RRB's funding needs by an estimated $9 million over the 2007-2011 period. CBO estimates that, if implemented, the bill would reduce outlays by $2 million in 2007 and $9 million over the 2007-2011 period, assuming that appropriations are adjusted to reflect the bill's requirements.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5074 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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